REMARKS

There are 149 claims pending in this application. The Office Action rejected all the claims under the following provisions.

REJECTIONS

35 U.S.C. 112(2)

Claims 140-143 were rejected as incomplete for omitting essential structural cooperative relationships of elements. Independent claim 140 has been amended to include structural elements and the essential relationships among these in the same manner as apparatus claim 98 recites them. By virtue of the amendment to claim 140, the dependent claims 141-143 also recite these elements and relationships. Applicant respectfully requests the withdrawal of this rejection.

35 U.S.C. 102(e)

Claims 1-8, 10-45, 47-85, 91-105, 107-145, 148 and 149 are rejected under this provision as anticipated by US Pat 6,243,688 to Kalina [hereinafter "Kalina"]. Independent method claims 1, 37, 72, 77, 81, 86, 88 and 91 as well as independent apparatus claims 98, 134, 140, 144, 146, and148 have been amended to recite the following elements:

- determining at least one of the transacting parties to be a recipient of an incentive award offered by the business entity, the incentive award comprising at least one investment chosen from a plurality of vehicles for investment,

said plurality of vehicles for investment comprising at least one equity vehicle whose appreciation or depreciation is determined by the financial performance of the incentive award program,

- providing the chosen incentive award to the recipient,

wherein the award is provided in the equity vehicle whose appreciation or depreciation is determined by the financial performance of the incentive award program and

the amount of the award in the equity vehicle is controlled so as not to excessively dilute holdings of investors of the equity vehicle.

Support for these amendments is found in the published specification ["publ. spec."] at least at ¶¶38-41, 46, 49, 51, 95-97, 99, 120, 154 and particularly in the Example depicted in Table 5 and accompanying description at ¶¶ 166-185. The element "not to excessively dilute" is supported in the specification especially at least at ¶171, wherein F1, the total fraction of

ownership granted in the initial year to all recipients (see ¶¶169-170), i.e., the total amount of incentive award value granted in the first year, is "selected so as to be large enough to be a valuable incentive yet not so large as to cause excessive dilution if the awards are cashed-in by issuing shares". In claim terms, F1 can also be considered the percentage of dilution in the first year of the total net worth of the incentive award program due to the granting of awards in a given year. What is excessive dilution depends of course on the perception of the existing stock holders in the equity of the incentive award program itself and as such will vary depending on the value of the existing shares in the incentive award program. However, to provide an exemplary range, F1 is identified in Table 5 as 3% and Table 8 exemplifies values for F1 for 3% and 5%. In addition, the element "not to excessively dilute" also includes zero dilution (¶51).

Thus, no new matter has been added.

Kalina does not disclose either a plurality of investment vehicles that comprises at least one equity vehicle whose appreciation or depreciation is determined by the financial performance of the incentive award program itself or an incentive award provided in such an equity vehicle.

Moreover, Kalina does not inherently teach either element in the detail recited in the claims, as required by MPEP §2131. Kalina (Figure 1 and cols. 3-4) discloses a credit award **exchange** system that tallies the credit awarded for the transactions of each participant creditor and exchanges, i.e., converts, the credit award into an investment vehicle upon the achievement of a preassigned number of credits. Kalina provides (in the parlance of the present claims) the credit award by converting the award to a cash value and then purchasing an investment vehicle at an investment center (col. 4., lines 60-64). Although disclosing a variety of typical investment vehicles (col. 2, lines 44-47), Kalina does not hint, suggest or imply that its exchange program enables the award-providing entity (either the business entity or authorized operator, as recited in the claims) to give an award in an investment vehicle that constitutes equity in the incentive award program itself.

As amended, that is precisely what the claims recite. Specifically, they recite an award program in which the incentive can be provided as a portion of the equity of the award program itself. At its most fundamental, the present method has the following technical solution:

- Through enabling provision of the incentive award in the equity of the incentive program itself coupled with restriction of dilution of outstanding shares of equity in the program:

- The present method increases the profitability and net worth of the incentive award program itself;
- As the profitability and net worth of the program increases (and hence the value of shares of the program's equity), the scope of the program increases (i.e. the number of business transactions increases) as consumers choose to participate in rewarded transactions and thereby affect the value of awards made by their own behavior;
- As the number of rewarded business transactions increases, the value of awards made in the equity of the program increases.

Thus, the technical solution of the present method is a feedback loop that drives up the value of the incentives awarded and the profitability of the incentive award program in tandem as the number of business transactions rewarded by the program increases. This feedback loop is created by and directly results from the amended elements.

It is critical to appreciate that the feedback loop that drives up the value of the incentive award is nowhere contemplated in Kalina. This is because Kalina's technical solution is merely the creation of ownership in investments for credit card debtors in exchange for their purchasing on credit, and possibly maintaining high credit card debt (Kalina, col. 1:48-57). At most, the Kalina method contemplates that the more a credit card debtor purchases on credit, the greater number of award credits the debtor receives for conversion into investments. This is a simple equation: buy more on credit, get more investment credits to exchange. This is wholly different from the present solution, driven by the amended elements, and results in **an increase in the profitability in the program itself, which in turn results in an tandem increase in the value of awards made.**

A skilled artisan would not mistake Kalina's technical solution for the present one. In the present invention, the value of the reward for participating in the present method, i.e., the value of the individual investment, increases **because of the recited elements: the award provided by the business entity is in shares of equity in the program itself and the entity can limit dilution to previously issued shares.** A skilled artisan would appreciate that the more recipients transact in the recited program by repeat purchases, the more revenue and profit are generated in the incentive award program, which in turn increases the value of shares of the equity (see especially, spec. ¶¶ 180-182). In addition, a skilled artisan would appreciate that **because of the recited elements**, the operating entity can offer to any participant new shares in its own worth. These new shares dilute the unit value of shares already held by investors. However, when the operating entity controls the dilution of existing shares as compared against the increase in its own net worth as the number of award

transactions increase, the entity can continue to grant awards and continue to increase its net worth at the same time. These concepts are wholly lacking in Kalina and cannot be inferred because there is no implied or disclosed mechanism for creating the present invention's feedback loop, i.e., its technical solution. Moreover, as the Office Action ¶11 acknowledges, Kalina discloses that the value of the award is commensurate with the value of the transaction, which implies nothing of the feedback loop solution of the present invention.

Because Kalina does not disclose explicitly or inherently the recited elements that enable the present technical solution, Applicant respectfully requests the withdrawal of this rejection.

35 U.S.C. 103(a)

1. Claims 9, 46, 106 are rejected under this provision as unpatentable over Kalina.

Claims 9, 46 and 106 recite the element of the incentive award recipient designating at least one other party, which can be any entity, to receive at least a part of the recipient's incentive award. In other words, these claims recite that a recipient may designate a third party beneficiary for part of or the entire incentive award. The above comments demonstrating that Kalina lacks all of the recited steps in the amended claims apply to this rejection as well. Therefore, because Kalina does not teach all of the recited claim elements, Applicant respectfully asserts the rejection does not assert a *prima facie* case of obviousness and requests its withdrawal.

2. Claims 86-90, 146 and 147 are rejected under this provision as unpatentable over Kalina in view of US Pat No 5,991,736 to Ferguson.

As discussed above, Kalina does not teach all elements of the claims as amended, and specifically for these rejected claims does not disclose providing an incentive award as a chance to win at least one prize in a lottery. Ferguson also does not teach the missing elements of the amended claims and so cannot salvage the combination to disclose all elements of the claims, as amended. For this reason as required by MPEP § 2143.03, the cited combination does not establish a *prima facie* case of obviousness.

Moreover, aside from the fact that the combination does not disclose all claim elements, the combination also fails to set forth a *prima facie* case of obviousness under MPEP § 2143.01. The Kalina-Ferguson combination does not and cannot motivate from within their combined disclosures for the modification of the present invention. Namely, the

Kalina-Ferguson combination cannot motivate for providing an incentive award as recited as a chance to win at least one prize in a lottery.

Since Kalina is silent regarding lotteries, the Office Action relies on Ferguson (col. 1, lines 43-44) for an alleged teaching that patronage incentive award systems before 1997 were known to award an opportunity to win prizes such as merchandise, services or vacation trips. Ferguson does not affirmatively disclose a lottery award program. In fact, Ferguson does not disclose the word the lottery nor describe that concept. It is only the Office Action that interjects the concept of lottery onto Ferguson by interpreting the statement "opportunity to win prizes" (col. 1:43-44) to mean "(i.e. lottery or sweepstake chances)". Although in semantic terms the genus concept "opportunity to win prizes" may include the species concept of lottery, as used in Ferguson, the term "opportunity to win prizes" does not inherently or without more disclosure allow a definitive translation into "lottery". A lottery is a contest in which a token is sold and the winning token is selected by chance. Ferguson provides no further clarification as to what is meant by "opportunity to win prizes". Nor does Kalina, which as mentioned is silent as to lottery incentive award programs.

To hinge this rejection entirely on a presumed interpretation of an undefined term used only in the background as a throwaway statement and to presume that the undefined term may be combined with the teaching of Kalina to arrive at the modification of the present invention is impermissible.

The MPEP §2143.01 declares:

> A statement that modifications of the prior art to meet the claimed invention would have been " 'well within the ordinary skill of the art at the time the claimed invention was made'" because the references relied upon teach that all aspects of the claimed invention were individually known in the art is **not** sufficient to establish a *prima facie* case of obviousness without some objective reason to combine the teachings of the references [citations omitted, emphasis added].

Thus, the MPEP makes clear that this rejection fails to establish a *prima facie* case of obviousness. This is because the Office Action:

takes an otherwise "throwaway" statement to the effect that "opportunities to win prizes" may have been well within the ordinary skill of the art; and

then interprets those opportunities to win as lottery incentive award systems; and

then combines Ferguson with Kalina to establish an obviousness rejection for lotteries that provide incentive awards that are investments.

The supposition that Ferguson meant to disclose a lottery incentive award system was made without a clear teaching or even reasonable support in Ferguson or Kalina. Moreover,

combining the concept of an imputed lottery incentive award program with Kalina has no objective reason or basis. The Office Action did **not** combine the Ferguson invention with the Kalina invention, both of which disclose a credit exchange system that rewards credit purchases with investments as incentive awards. Such a combination would arguably have an objective basis inasmuch as both inventions disclose similar technical solutions. Rather, the Office Action combined incentive award systems that are prior art to Ferguson and admittedly **not award systems that reward with investments.**

To the point, the technical solution of Ferguson is completely far afield from providing a lottery that awards investments as the incentive awards. Ferguson's solution is an incentive award system whereby a commercial entity (and system sponsor) rewards customer purchases with an investment in equity already designated in the customer's retirement account.

In effect, then, the Office Action's combination of Ferguson with Kalina results in the unabashed putting together of selected elements—the element of lottery as an incentive award system with the Kalina invention. The MPEP is unmistakeable: assembling references solely to epitomize selected elements of the present invention is impermissible hindsight and does not establish a sufficient basis for a *prima facie* case of obviousness.

Applicant respectfully asserts that the Ferguson-Kalina combination is the result of such impermissible assembly and requests the withdrawal of this rejection.

In view of the foregoing, Applicant respectfully requests allowance of the above-referenced application.

Respectfully submitted,

LORETTA F. SMITH
ATTORNEY FOR APPLICANT
Registration No.: 45,116
Telephone: (856) 547-0922

Dated: 06 January 2006